

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-469-W/S - ORDER NO. 93-1063 *lc*
DECEMBER 9, 1993

IN RE: Application of Ocean Lakes Utility, L.P.)	ORDER
for Establishment of Service Area, Rates)	ESTABLISHING
and Charges for Water and Sewer Service.)	SERVICE AREA
)	AND APPROVING
)	RATES AND
)	CHARGES

By Application filed July 16, 1993, Ocean Lakes Utility, L.P. (Ocean Lakes or the Company) seeks approval to operate a water and sewer system and to implement a schedule of rates and charges for water and sewer service provided to its customers in Horry County, South Carolina. The Application was filed pursuant to S.C. Code Ann. §58-5-240 (Supp. 1992) and 26 S.C. Regs. §103-821 (1976).

Subsequent to the initiation of this proceeding, the Executive Director of the Commission instructed Ocean Lakes to cause to be published a prepared Notice of Filing in certain newspapers of general circulation in the affected area and to furnish the same information to each customer. The Notice of Filing indicated the nature of the Application and advised all interested parties desiring to participate in the proceeding of the manner and time in which to file the appropriate pleadings. A

Petition to Intervene was filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

A public hearing was held in the offices of the Commission on November 4, 1993, at 10:30 a.m. The Honorable Henry G. Yonce, Chairman, presided. Fred Newby, Esquire, represented Ocean Lakes; Carl F. McIntosh, Esquire, represented the Consumer Advocate; and Gayle B. Nichols, Staff Counsel, represented the Commission Staff.

After a thorough examination of the Application, the other evidence of record, and the applicable law, the Commission makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Ocean Lakes was formed in June of 1993 to provide water and sewer services in Horry County, South Carolina, particularly to Ocean Lakes Campground (Campground)¹ in Surfside Beach. The Campground currently covers 300 acres and has 3300 campsites. Of the 3300 campsites, 2400 are leased as permanent sites in which the lessee keeps his camper year round. The remaining 900 campsites are used for daily or weekly transient rentals.

2. Ocean Lakes pumps its water from three deep wells and has pressure-operated storage tanks. Ocean Lakes has an agreement with Grand Strand Water and Sewer Authority by which the Company can buy water on an "as needed" basis. Each permanent campsite

1. The Campground is owned and operated by Ocean Lakes Family Campground Limited Partnership. Both the Campground and Ocean Lakes are under the control of Mr. & Mrs. Nelson Jackson.

and each Campground building that consumes water² has its own water meter. Ocean Lakes proposes that all water consumption not recorded on individual meters be the responsibility of the Campground. Ocean Lakes proposes to charge a base charge of \$8.74 per month for a single meter and \$.60 per month for an additional meter. The additional meter would be for irrigation purposes. The Company proposes to charge a volume charge of \$1.07 per 1,000 gallons of water.

3. Grand Strand Water and Sewer Authority provides treatment service for the sewage collected through Ocean Lakes' own collection lines. Ocean Lakes proposes to charge a base charge of \$3.27 per month for sewer service and \$1.49 per month per 1,000 gallons as a volume charge. Ocean Lakes proposes that the Campground absorb all sewer costs charged by Grand Strand Water and Sewer Authority to the Company that cannot be attributed to the metered permanent campsites.

4. Ocean Lakes' witness Oreste Baffi testified that the proposed base charge is to cover the fixed costs of the utility. Ocean Lakes agreed that the Campground should pay the utility a base charge for each of the transient campsites.

5. Ocean Lakes proposes to charge a one-time account setup charge of \$25.00 to new customers to defray the costs of initiating service. The Company proposes to charge a \$35.00 reconnection fee prior to the utility reconnecting service which

2. The Campground has a snack bar, 3 laundromats, a boathouse, a swimming pool, and a store.

has been disconnected for any reason set forth in 26 S.C. Regs. 103-535 and 103-735.³

6. The Company proposes that, should a customer request that service to its property be temporarily disconnected, Ocean Lakes charge the monthly base charge for the disconnection period in addition to the reconnection charge.

7. Ocean Lakes proposes to charge a \$200.00 installation charge to customers requesting an additional meter. The Company testified that this additional meter would be installed at the water main.

8. The Company's Application indicates that Ocean Lakes' combined investment at December 31, 1993 will be \$1,435,208, that its projected annual revenues are \$604,348, and that its projected annual operating expenses are \$629,402. Consequently, should the Commission approve the rates and allocation method proposed by the Company, Ocean Lakes will have a net operating loss of \$25,054.

CONCLUSIONS OF LAW

1. The Commission exercises general supervisory and regulatory jurisdiction over public utilities such as Ocean Lakes in respect to approval of service areas and establishment of rates and charges pursuant to the following statutory mandate:

3. In its Application, Ocean Lakes referred to 26 S.C. Regs. 103-732.4. The Commission believes this reference is incorrect and that the Company intended to refer to 732.5.

§ 58-5-210. Supervision and regulation of rates and service.

The Public Service Commission is hereby, to the extent granted, vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services of every "public utility" as herein defined.

S.C. Code Ann. §58-5-210 (1976).

2. Ocean Lakes is a public utility within the meaning of S.C. Code Ann. §58-5-10(3)(1976) if it sells water and/or sewer service to the public for compensation.

3. The Commission finds that there is a need for water and sewer service in the area of Horry County where Ocean Lakes seeks approval of a service area. The Commission concludes that Ocean Lakes is fit, willing, and able to provide the proposed water and sewer service in the requested service area.

4. The Commission finds that the appropriate basis for calculating the operating margin approved by this Order is Ocean Lakes' revenues and expenses attributable to 2400 permanent campsites, 900 transient campsites, and accompanying campground facilities. The Commission finds that, based on the Campground's average annual historic water and sewer treatment usage from January 1990 through March 1993, the average monthly water consumption per campsite is 4,000 gallons. Based on its Application, Ocean Lakes' projected annual revenues at the rates

proposed are \$604,348.

5. According to the Application, Ocean Lakes' projected annual operating expenses are \$629,402.

6. Under the guidelines established in the decisions of Bluefield Waterworks and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923), and Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944), this Commission does not ensure through regulation that a utility will produce net revenues. As the United States Supreme Court noted in Hope, a utility "has no constitutional rights to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures." However, employing fair and enlightened judgment and giving consideration to all relevant facts, the Commission should establish rates which will produce revenues "sufficient to assure confidence in the financial soundness of the utility and . . . that are adequate under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield, supra, at 692-693.

7. The three fundamental criteria of a sound rate structure have been characterized as follows:

...(a) the revenue-requirement or financial-need objective, which takes the form of a fair-return standard with respect to private utility companies; (b) the fair-cost apportionment objective which invokes the principle that the burden of meeting total revenue requirements must be distributed fairly among the beneficiaries of the service; and (c) the optimum-use or consumer rationing under which the rates are designed to discourage the wasteful use of public utility services while promoting all use that is economically justified

in view of the relationships between costs incurred and benefits received.

Bonbright, Principles of Public Utility Rates (1961), p. 292.

In applying the above-referenced principles, the Commission must balance the interests of the utility--the opportunity to make a profit while providing adequate service--with the interest of its customer--to receive adequate service at a fair and reasonable rates.

8. Based on the considerations enunciated in Bluefield and Hope, on the fundamental criteria of a sound rate structure as stated in Principles of Public Utility Rates, and the evidence of record, the Commission determines that the appropriate operating margin for the Company is 4.80%. In order to have a reasonable opportunity to produce a 4.80% operating margin, the Company will need to produce \$669,148 in annual operating revenues.

9. In order to produce the necessary \$669,148 in operating revenues, the Commission approves the following schedule of rates and charges as explained below and set forth in Appendix A.

Water

For each permanent campsite, the Commission approves a base charge of \$8.74 per month for a single meter and \$.60 for an additional water meter. The Commission concludes, however, that the fixed costs associated with water service to the Campground facilities which include several buildings and 900 transient campsites are more than \$8.74 per month. Consequently, the Commission finds and concludes that the Campground should pay the

utility a greater monthly base charge to prevent the permanent campsite customers from subsidizing the Campground's share of the utility's fixed costs. Recognizing that the 900 transient campsites are non-metered and, therefore, have less fixed costs than the metered permanent campsites, the Commission finds and approves as fair and reasonable a base charge for water of \$4.38 per month per transient campsite. Where meters are available, the Commission approves a volume charge of \$1.07 per thousand gallons. The Campground shall absorb all costs for water purchased from Grand Strand Water and Sewer Authority that cannot be attributed to the metered permanent campsites.

Sewer

For each permanent campsite, the Commission approves a base charge of \$3.27 per month for sewer service. The Commission concludes, however, that the fixed costs associated with sewer service to the Campground facilities which include several buildings and 900 transient campsites are more than \$3.27 per month. Consequently, the Commission finds and concludes that the Campground should pay the utility a greater monthly base charge to prevent the permanent campsite customers from subsidizing the Campground's portion of the utility's fixed costs. Recognizing that the 900 transient campsites are non-metered and, therefore, have less associated fixed costs than the permanent campsites, the Commission finds and approves as fair and reasonable a base charge for sewer of \$1.62 per month per transient campsite. The Commission approves a volume charge of \$1.49 per month for metered

services. The Campground shall absorb all sewer costs charged by Grand Strand Water and Sewer Authority to the Company that cannot be attributed to the metered permanent campsites.

The Commission approves as reasonable a \$200.00 installation charge for customers who request an additional meter. Further, the Commission approves a one-time account setup charge of \$25.00 to new customers to defray the costs of initiating service.

The Commission approves a \$35.00 reconnection fee should the utility reconnect service which had been disconnected for any reason set forth in 26 S.C. Regs. 103-535 and 103-735. Moreover, should a customer request temporary disconnection of his service, Ocean Lakes may charge the monthly base charge for the period of disconnection and the reconnection charge upon connection.

IT IS THEREFORE ORDERED:

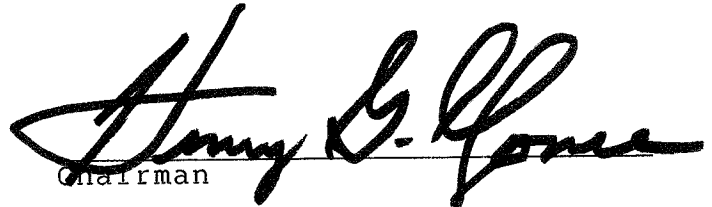
1. Ocean Lakes Utility, L.P. is granted a Certificate of Public Convenience and Necessity to operate as a water and sewer utility in Horry County, South Carolina.

2. The schedule of rates and charges for Ocean Lakes Utility, L.P. as set forth in Appendix A is approved and may be charged for service rendered on or after the date of this Order.

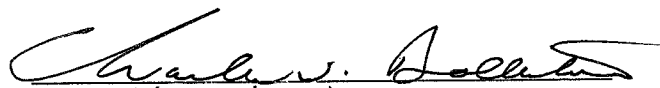
3. Ocean Lakes Utility, L. P. shall maintain its books and records for its water and sewer operations in accordance with NARUC system of accounts for Class B Water and Sewer Utilities.

4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

APPENDIX A

OCEAN LAKES UTILITY, L.P.
6001 SOUTH KINGS HIGHWAY
MYRTLE BEACH, SOUTH CAROLINA 29575

(803)238-5636

FILED PURSUANT TO DOCKET NO. 93-469-W/S - ORDER NO. 93-1063
EFFECTIVE DATE: DECEMBER 9, 1993

SCHEDULE OF RATES AND CHARGES:

TRANSIENT CAMPSITES

	WATER	SEWER
BASIC CHARGE		
Single Meter	4.38	1.62
VOLUME CHARGE		
(To be charged where meters are available)		
Rate per 1,000 gal.	1.07	1.49

PERMANENT CAMPSITES

	WATER	SEWER
BASIC CHARGE		
Single Meter	8.74	3.27
Additional Meter	.60	
VOLUME CHARGE		
Rate per 1,000 gal.	1.07	1.49

Volume charges are the same for additional meters.

ACCOUNT SET-UP CHARGE

A one-time fee of \$25.00 shall be charged to defray the costs of initiating service.

RECONNECTION CHARGE

In addition to any other charges that may be due, a reconnection fee of \$35.00 shall be due prior to the Utility reconnection service which has been disconnected for any reason set forth in R.103-535 or 103-735 of the Rules & Regulations Go Service Supplied by Water (Sewer) Utilities in South Carolina and shall be changed to conform with said rule as the rule is amended from time to time.

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TEMPORARY DISCONNECTION

Any Customer may request that service to their property be temporarily disconnected, provided, however that the Customer will be charged the monthly Base Charge for the service period they were disconnected in addition to the Reconnection Charge.

BILLING CYCLE

Recurring charges will be billed monthly in arrears.

LATE PAYMENT CHARGES

Any balance unpaid within twenty-five (25) days of the billing date shall be past due. Past due accounts shall be assessed a late payment charge of one and one-half of one percent (1 1/2%) for each month, or any part of a month, that said payment is past due.

NON-RECURRING CHARGES

Customers requesting an additional meter will be required to pay a non-refundable \$200.00 installation charge.